CALIFORNIA
Economic Indicators

July–August 2003

Guarded Optimism

Looking for a Turnaround.

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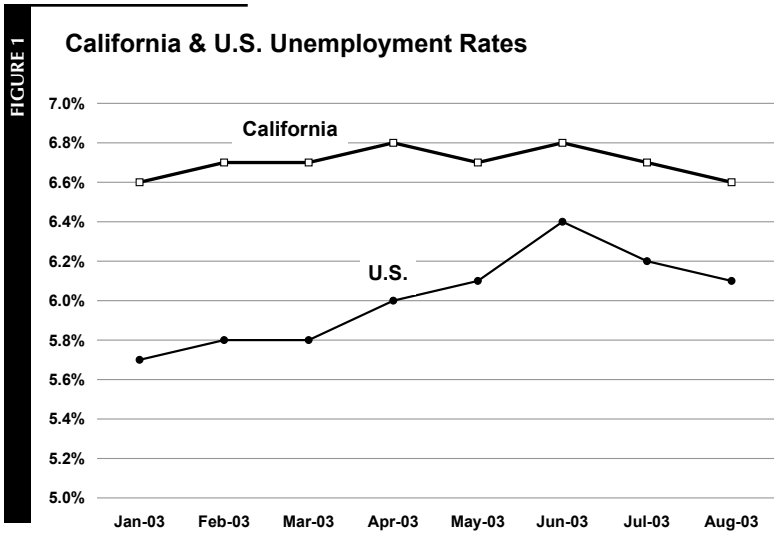
REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Recent economic data has raised hopes that the California economy is about to pick up. The state lost 1,900 jobs in August, which would not be cause for celebration except that the rest of the nation was shedding 91,000 at the same time. In that environment, losing only 1,900 is quite a feat. Even looking beyond the most recent headline statistics, good news can be found. Detailed industry employment data (not seasonally adjusted) indicates that temporary help employment is up over the year—a good omen for future hiring—as is restaurant and retail store employment. Even with employment down somewhat, income tax withholding receipts have been growing on a year-over-year basis throughout most of 2003, suggesting stronger wage growth. Civilian employment, a broader measure of job growth—albeit one based on a more limited survey—has expanded during five of the last eight months. This measure of employment has grown 1.1 percent over the year, with most of it occurring during 2003. This growth coincides with increased new business incorporations, which, through August, are up over 4 percent from 2002. The labor force is also expanding, another good sign. Home building has also grown strongly during the first seven months of 2003.

Throughout this downturn, California has closely tracked the national economy, and has actually outperformed it in several respects. Since the official beginning of the recession, March 2001, both the nation and California saw nonfarm employment fall 2 percent. Since the recession ended in November 2001, California has lost 42,900 jobs (0.3 percent), while the nation has lost 1,139,000 jobs (0.9 percent). The nation's relative job losses in the current "expansion" have been three times as great as California's. While the state's unemployment rate has essentially held steady throughout 2003, the nation's has risen fairly steadily. Even though they are both on the same track, California appears to be outpacing the nation as a whole.

California's fate is closely tied to the nation's and recent national indicators point to an accelerating economy. Gross Domestic Product rose 3.1 percent in the second quarter of 2003. This included strong consumer spending and an 8.0 percent jump in capital spending. Capital spending was led by an 11.6 percent increase in information processing, which included a 31.6 percent annualized surge in computers, a good sign for high-tech-rich California. Outside of the GDP figures, retail sales rose a strong 1.4 percent in July, lifted by strong vehicle sales. Not counting vehicles, core retail sales have been accelerating since the end of the Iraqi war, rising a brisk 0.8 percent in July, following gains in May and June.

FIGURE 1



EMPLOYMENT

Industry employment fell by a small 1,900 in August, and July's losses were revised down to 10,000 from the initially reported 22,000. California lost far less than its share of the 93,000 jobs dropped from the nation's payrolls as a whole in August. From August 2002 to August 2003, California nonfarm employment fell by 33,700.

Mixed Industry Performance

Five major industry sectors added jobs in California in August. Professional and Business Services added 7,600 jobs; Educational and Health Services, 4,900; Leisure and Hospitality, 3,300; Financial Activities, 500; and Natural Resources and Mining, 400.

Six major industry sectors lost jobs. Government lost 7,000 jobs; Information, 4,300; Manufacturing, 3,700; Trade, Transportation and Utilities, 1,500; Construction, 1,100; and Other Services, 1,000.

On a year-over-year basis, five industry sectors added jobs, while six declined. From August 2002 to August 2003, employment rose by 35,900 in Leisure and Hospitality, 26,000 in Educational and Health Services, 13,300 in Construction, 12,000 in Financial Activities, and 1,100 in Natural Resources and Mining. Over the year, employment fell by 55,900 in Manufacturing, 26,600 in Information, 17,700 in Government, 12,000 in Trade, Transportation and Utilities, 7,800 in Professional and Business Services, and 6,000 in Other Services.

The Unemployment Rate Dips

California's unemployment rate dropped to 6.6 percent in August, down from an upwardly revised 6.7 percent in July (originally reported at 6.6 percent). Both civilian employment and unemployment fell in August, by 60,000 and 32,000 respectively. (The national unemployment also dropped one-tenth of a percent in August to 6.1 percent). A year ago, California's unemployment rate was 6.7 percent.

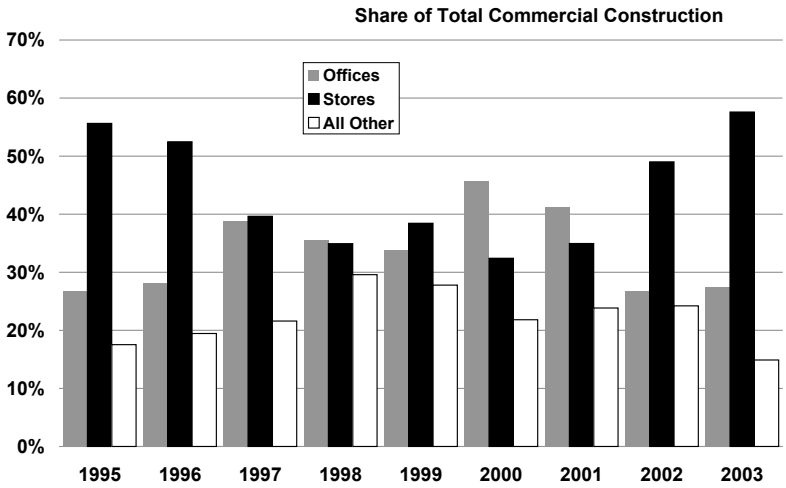
Building Activity

Home building still going strong

Homebuilding accelerated in July due to an increase in the volatile multifamily sector. Total residential construction, as measured by permit issuances, rose from June's pace to a seasonally adjusted, annual rate of 193,000 units in July, an 8.1 percent increase. For the first seven months of the year as a whole, residential construction averaged 36 percent more than the same months of 2002. On a percentage basis, multi-family residential construction achieved the greatest gain, rising 59 percent above its 2002 rate for the first seven months.

FIGURE 2

More Stores, Fewer Offices



Building More Stores

A strong increase in store construction boosted nonresidential construction in July. Total non-residential construction, as measured by the value of permits issued, rose nearly 17 percent from June and over 6 percent from July 2002. In addition to stores, parking garage and service station construction also advanced in July. This counter balanced slowing office, hotel/motel and amusement and recreation building. Overall, the pace of commercial construction during the first six months of 2003 was off 3.4 percent from the same months of last year.

The dramatic slide in office construction means that this sector now accounts for the

same share of commercial construction that it did before the office building boom in the late 1990's. And, conversely, the importance of store construction has been restored. Before the internet boom increased the demand for office space, retail store construction accounted for about 50 percent of total commercial construction and offices about 27 percent. The office share rose dramatically between 1996 and 2000, slipped in 2001, and then dropped precipitously in 2002 and 2003. At the same time, store construction's share dropped to a low of 32 percent in 2000, but during the first seven months of 2003, it has risen to 58 percent.

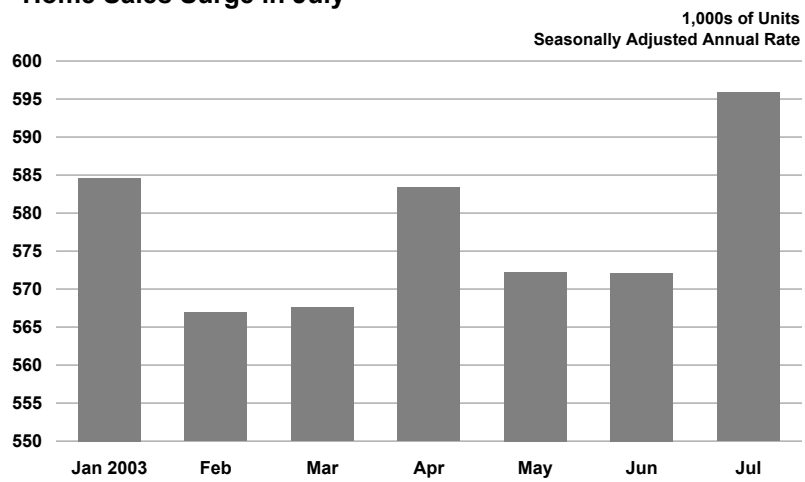
Real Estate

Home Sales Surge

Existing home sales rose over 10 percent in July from the rate registered a year ago. The sale of 596,000 units on a seasonally adjusted-annual rate basis was also a 4 percent increase over June's pace. Home sales during the first seven months of 2003 were off only 1.8 percent from the record-setting pace achieved during the same months of 2002 and are comparable to the rates seen during the extraordinarily robust real estate market of the late 1980s.

Existing home prices also continued to advance steadily. The median price of existing single-family homes sold in July rose to $383,320, up over 19 percent from July 2002.

FIGURE 3



■ CALIFORNIA'S ECONOMIC STRUCTURE

A Decade of Change

At the beginning of 2003 many of the most widely used economic data series underwent a major reorganization. The North American Industrial Classification System (NAICS) replaced the Standard Industrial Classification system (SIC). The old SIC system classified establishments by the type of activity in which they are primarily engaged. It was revised periodically—1987 most recently—to reflect the economy's changing industry structures.

The new NAICS system is based on a new concept of classifying establishments based on their production processes rather than the activity they are engaged in. NAICS classifications yield significantly different industry groupings than those produced under SIC and thus the transition will have a significant impact on the use of economic data. (For more information on the transition to NAICS see the November-December 2002 issue of California Economic Indicators, available at: http://www.dof.ca.gov/HTML/FS_DATA/indicatr/2002/Nov-Dec_02.pdf

It would be useful to examine California's economic structure in terms of the new NAICS system. A state's industry structure is a key to its relative success and strength. Each economy, regional or national, is endowed with unique features—topographical, geological, climatic, and social—that give it special aptitudes for specific economic activities. The ability to specialize in areas of advantage and trade with other regions is a crucial determinant of economic growth.

Regional economists frequently use a ratio called the location quotient (LQ) to describe the relative importance of industries within a state or region. The LQ is simply the ratio of an industry's share of a state's or region's employment divided by the same industry's share of national employment. Thus, if an industry accounts for 5 percent of all jobs in California, but only 4 percent nationally, the LQ would

FIGURE 4

Location Quotient of Major Sectors 2003*

	Location Quotient	Range
Natural Resources and Mining	35	Below
Construction	105	Average
Manufacturing	97	Average
Trade, Transportation and Utilities	97	Average
Information	129	Above
Financial Activities	97	Average
Professional and Business Services	119	Above
Educational and Health Services	83	Below
Leisure and Hospitality	105	Average
Other Services	85	Below
Government	103	Average

* Based on first seven month of 2003.

Source: U.S. Bureau of Labor Statistics and California Employment Development Department

be (5 ÷ 4) x 100 = 125. An industry with the same employment share in California and the nation would have an LQ of 100. To reverse the first example, an industry with a 4 percent share in California and a 5 percent share of national employment would have an LQ of 80 (4 ÷ 5) x 100 = 80. Industries can be categorized into groups of high concentration (LQ above 110), low concentration (LQ less than 90) and average concentration (LQ of 90 to 110).

The larger the regional economy and the broader the industry definition, the more the LQs will cluster in the average range. In California's case, industry sectors in the average range account for nearly 70 percent of nonfarm employment. This is not surprising given the absolute size of the California economy—about one-eighth of the entire nation—and its location which is relatively remote from the nation's other major population centers, most of which lie east of the Mississippi River.

Five of eleven major NAICS industry sectors, though, are outside the average range. Natural Resources and Mining—the smallest industry sector—is below average, as is Education and Health Services and Other Services. In contrast, California specialties include Information and Professional and Business Services, not surprising given the state's leadership in high technology industries. These are leading export industries that pay high wages and returns and are likely to be the growth leaders in the national and global economies in the future.

Looking at more detailed industry definitions further highlights California's specialties.

Manufacturing

California's manufacturing specialties clearly focus on production for export rather than local consumption.

Electronics

Even though manufacturing in California is well within the average range, there is a wide variation among manufacturing industries. The state's largest manufacturing sector, computer and electronic products, has a location quotient above 200; i.e., double the national concentration. This is not surprising given that the Silicon Valley is home to many of the nation's leading electronic and semiconductor manufacturers as well as research and design centers.

Apparel

In nondurable goods, apparel has an LQ over 270 and is one of several California success stories. California's apparel manufacturing industry—based mainly in Los Angeles—expanded during much of the 1990s while it declined nationwide, especially in its traditional centers in the Northeast and Southeast. Even though apparel employment has been declining in both California and the nation since the late 1990s, the national decline has been much more dramatic.

FIGURE 5

Location Quotient of Manufacturing Industries 2003*

	Location Quotient	Range
Durable Goods		
Wood Products	67	Below
Nonmetallic Mineral Products	81	Below
Primary Metals	48	Below
Fabricated Metal Products	85	Below
Machinery Manufacturing	68	Below
Computer & Electronic Products	214	Above
Computer & Peripheral Equipment	267	Above
Communications Equipment	162	Above
Semiconductor & Electronic Components	212	Above
Electronic Instruments	215	Above
Electrical Equipment & Appliances	73	Below
Transportation Equipment	68	Below
Furniture & Related Products	102	Average
Miscellaneous Manufacturing	119	Above
Nondurable Goods		
Food	90	Average
Beverage & Tobacco Products	167	Above
Textile Mills	47	Below
Textile Product Mills	78	Below
Apparel	277	Above
Leather & Allied Products	119	Above
Paper	52	Below
Printing & Related Support Activities	89	Below
Petroleum & Coal Products	107	Average
Chemicals	79	Below
Plastics & Rubber Products	66	Below

* Based on first seven month of 2003.

Source: U.S. Bureau of Labor Statistics and California Employment Development Department

In contrast to manufacturing, service industries are split by market orientation. While significant shares of 'export oriented' services are sold to California consumers and businesses, motion pictures, computer software, and engineering services bear more resemblance to high-technology, export-oriented durable goods manufacturing than to other service industries

Information

As would be expected, California clearly specializes in Information industries in which motion picture and sound recording and television broadcasting are major components. This newly defined industry sector was specifically created in light of recent developments in the structure of the nation's economy. Overall, the importance of traditional "smoke stack" manufacturing and related sectors has diminished while the role of services, and information processing in particular, has grown steadily.

FIGURE 6

Location Quotient of Information Industries 2003*

	Location Quotient	Range
Information	**129**	**Above**
Publishing Industries (except Internet)	103	Average
Motion Picture & Sound Recording	334	Above
Broadcasting (except Internet)	123	Above
Telecommunications	97	Average
Internet Serv Provid, Web Portals & Data Proc.	101	Average
Other Information Serv.	101	Average

* Based on first seven month of 2003.

Source: U.S. Bureau of Labor Statistics and California Employment Development Department

Professional and Business Services

Closely related to the rising importance of the internet to the economy is the growth of business services, particularly computer system design and related services. The internet boom of the 1990s led to the infusion of record levels of venture capital into California, which spurred unprecedented business formation activity. The development of internet businesses and technologies obviously generated tremendous growth in the computer design and programming services. The creation and expansion of so many businesses also generated increased demand for a broad array of business support activities including management, legal, engineering, and employment services.

California has long been a center for leading edge research in emerging industries. In many fields such as semiconductors, aerospace, and bioengineering, the close proximity of many of the industry leaders and world-class universities has given California a strong focus in scientific and technical research and consulting.

FIGURE 7

Location Quotient of Professional & Business Industries 2003*

	Location Quotient	Range
Professional & Business Services	**119**	**Above**
Professional, Scientific & Technical Services	119	Above
Legal Services	110	Above
Accounting, Tax Preparation & Bookkeeping	101	Average
Architectural, Engineering & Related Services	113	Above
Computer Systems Design	129	Above
Management, Scientific & Technical Consulting	124	Above
Management of Companies & Enterprises	144	Above
Administrative & Support & Waste Services	113	Above
Administrative & Support Services	113	Above
Employment Services	119	Above
Business Support Services	69	Below
Services to Builds & Dwellings	112	Above
Waste Management & Remediation	98	Average

* Based on first seven month of 2003.

Source: U.S. Bureau of Labor Statistics and California Employment Development Department

Changes in the 1990s

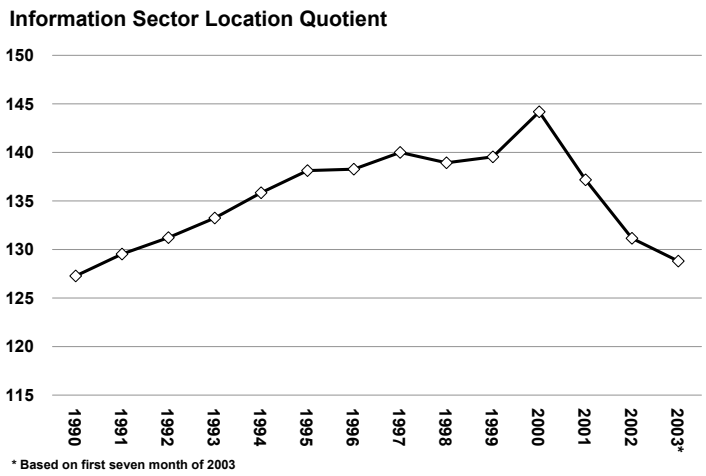
The 1990s was a period of dramatic economic restructuring for California. The end of the Cold War brought with it massive cuts in federal defense outlays, and California bore a disproportionate share of these reductions. Over the decade, the state's reliance on federal Department of Defense (DOD) spending—procurement and military bases—and the aerospace market diminished in favor of high technology manufacturing and services, non-aerospace transportation and apparel industries.

The state's concentration in high technology manufacturing and service industries increased substantially over the decade. Of particular note are computer and software services, principally related to the internet, that are now included in the new Information and Professional and Business Services sectors. California lagged the nation in these areas in 1988 but now has a share that is considerably above average.

More Stability?

When this transformation began, it was hoped that it would leave the state more economically secure. Aerospace industries are almost exclusively reliant on the relatively narrow aircraft market consisting of the federal government, a handful of foreign governments, and commercial airline and transport companies. The greater importance of high technology—both manufacturing and services— and apparel manufacturing means that demand for California's export oriented industries is now derived from more diversified sources. This diversity is already providing more stability and growth potential for the state's economy.

FIGURE 8



The 2001 recession illustrated California's strengths as well as its heightened dependence on high tech industries. The importance of the information sector grew dramatically during the 1990s. The recession was squarely led by imploding high tech industries, particularly those closely related to the internet. Despite this blow, as noted above, California has fared no worse than and, in some respects better than the nation as a whole. Information and computer system design industries are still concentrated in California and it is these industries that still offer the greatest potential for future economic growth.

FIGURE 8

Major Industry Location Quotients 1990-2003

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Natural Resources and Mining	42	41	41	41	39	38	38	37	39
Construction	107	103	96	88	88	89	87	89	92
Manufacturing	97	97	95	93	93	94	97	98	98
Trade, Transportation and Utilities	93	94	95	96	96	95	95	95	95
Information	127	130	131	133	136	138	138	140	139
Financial Activities	109	108	108	108	105	103	100	97	96
Professional and Business Services	122	124	123	123	123	123	123	123	125
Educational and Health Services	89	88	89	89	89	88	87	86	85
Leisure and Hospitality	104	106	106	106	106	106	107	105	104
Other Services	85	86	86	86	89	89	88	86	86
Government	99	99	100	101	102	102	102	102	101

* Based on first seven month of 2003.

Source: U.S. Bureau of Labor Statistics and California Employment Development Department

Select Indicators

		2003				2002	Yr-Over-Yr
		Jul	Jun	May	Apr	Jul	% Change
Employment	**EMPLOYMENT (Seasonally adjusted)**						
	Civilian employment (000)	16,469	16,453	16,395	16,429	16,243	1.4
	Unemployment (000)	1,167	1,199	1,184	1,202	1,173	-0.5
	Unemployment rate	6.6	6.8	6.7	6.8	6.7	--
	Nonagricultural wage and salary employment (000) a/	14,431.7	14,453.5	14,447.1	14,460.5	14,454.5	-0.2
	Goods-producing industries	2,388.6	2,394.9	2,399.9	2,403.0	2,427.5	-1.6
	Natural resources and mining	23.3	22.7	22.4	21.6	22.5	3.6
	Construction	786.9	787.3	787.9	789.4	766.3	2.7
	Manufacturing	1,578.4	1,584.9	1,589.6	1,592.0	1,638.7	-3.7
	Service-providing industries	12,043.1	12,058.6	12,047.2	12,057.5	12,027.0	0.1
	Trade, transportation, and utilities	2,723.5	2,726.5	2,731.3	2,732.4	2,735.0	-0.4
	Information	475.0	473.2	471.6	472.5	485.5	-2.2
	Financial activities	865.7	864.8	862.6	860.6	850.3	1.8
	Professional and business services	2,104.5	2,106.3	2,103.6	2,115.6	2,117.2	-0.6
	Educational and health services	1,521.2	1,524.6	1,525.8	1,524.9	1,499.8	1.4
	Leisure and hospitality	1,410.9	1,411.3	1,406.1	1,401.3	1,378.9	2.3
	Other services	504.4	504.4	504.4	499.3	507.9	-0.7
	Government	2,437.9	2,447.5	2,441.8	2,450.9	2,452.4	-0.6
Hours & Earnings	**HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)**						
	Average weekly hours	39.0	40.0	39.7	39.4	39.0	0.0
	Average weekly earnings	$586.56	$601.20	$593.12	$587.85	$579.15	1.3
	Average hourly earnings	$15.04	$15.03	$14.94	$14.92	$14.85	1.3
Consumer Prices	**CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)**						
	All Urban Consumers Series						
	California Average	n.a.	189.9	n.a.	191.1	n.a.	--
	San Francisco CMSA	n.a.	196.3	n.a.	197.3	n.a.	--
	Los Angeles CMSA	186.3	186.3	186.4	187.6	182.2	2.3
	Urban Wage Earners and Clerical Workers Series						
	California Average	n.a.	183.2	n.a.	184.6	n.a.	--
	San Francisco CMSA	n.a.	192.2	n.a.	193.6	n.a.	--
	Los Angeles CMSA	179.6	179.6	179.9	180.9	175.0	2.6
Construction	**CONSTRUCTION**						
	Private residential housing units authorized (000) b/	193	177	205	188	180	7.2
	Single units	129	130	128	127	130	-0.8
	Multiple units	64	47	76	61	50	28.0
	Residential building authorized valuation (millions) c/	37,543	34,584	36,522	36,154	34,760	8.0
	Nonresidential building authorized valuation (millions) c/	15,444	13,570	13,390	14,138	14,526	6.3
	Nonresidential building authorized valuation (millions) d/	1,212	1,255	1,260	1,181	1,151	5.3
	Commercial	369	344	395	313	357	3.3
	Industrial	90	118	115	167	85	5.5
	Other	263	278	223	240	241	9.5
	Alterations and additions	490	515	527	460	468	4.7
Auto Sales	**AUTO SALES (Seasonally adjusted)**						
	New auto registrations (number)	n.a.	145,681	141,749	140,651	153,423	--

a/ The wage and salary employment information is now based on the new North American Industry Classification System (NAICS)
b/ Seasonally adjusted at annual rate
c/ Seasonally adjusted
d/ Not seasonally adjusted
n.a. Not available

Select Indicators

Continued

VACANCY RATES FOR SECOND QUARTER 2003
(Percent)

	Office			Industrial
	Downtown	Suburban	Total	
Northern and Central California:				
Oakland	18.2	16.8	17.1	--
Sacramento	9.5	11.7	11.2	15.5
San Francisco	19.3	26.5	21.5	13.4
San Jose	20.8	22.2	21.9	--
Southern California:				
Los Angeles Metro	19.1	14.0	14.8	9.1
Orange County	--	15.3	15.3	--
San Diego	11.8	12.0	12.0	10.3
Ventura County	--	10.4	10.4	--
National Average	14.4	17.9	16.6	11.6

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

2002				2003			
Jan	$287,080	Jul	321,900	Jan	$336,740	Jul	383,320
Feb	294,870	Aug	332,970	Feb	327,120		
Mar	305,840	Sep	322,480	Mar	352,780		
Apr	317,120	Oct	322,990	Apr	363,930		
May	319,590	Nov	327,500	May	369,450		
Jun	324,640	Dec	339,570	Jun	376,260		

Leading Indicators/A

		Manufacturing Overtime Hours	Manufacturing Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1998	Jan	5.1	42.2	56,302	4,675	105.8
	Feb	5.0	41.9	60,117	4,581	111.7
	Mar	4.9	41.9	58,716	4,609	128.8
	Apr	4.5	41.1	57,976	5,081	116.6
	May	4.7	41.8	58,946	4,487	121.6
	Jun	4.8	41.9	54,135	4,725	142.9
	Jul	4.7	41.9	54,275	4,857	117.5
	Aug	4.6	41.7	52,786	4,386	137.2
	Sep	4.5	41.4	50,763	3,757	125.9
	Oct	4.6	41.8	52,856	4,682	137.2
	Nov	4.6	41.7	54,747	4,685	139.9
	Dec	4.6	41.8	53,745	4,680	126.8
1999	Jan	4.7	42.3	52,152	4,875	138.3
	Feb	4.7	41.9	52,800	5,119	133.9
	Mar	4.6	42.0	53,077	6,033	138.1
	Apr	4.7	41.9	53,310	5,082	133.2
	May	4.8	42.0	50,340	5,238	132.6
	Jun	4.6	41.9	51,519	5,569	158.9
	Jul	4.5	41.7	51,002	5,353	147.0
	Aug	4.6	41.5	51,037	5,808	133.2
	Sep	4.5	41.3	50,218	5,906	138.8
	Oct	4.7	41.6	49,393	5,614	131.9
	Nov	4.8	41.5	51,634	5,874	141.2
	Dec	4.9	41.5	44,723	6,674	150.3
2000	Jan	5.0	41.7	50,876	6,400	153.9
	Feb	4.9	41.4	49,482	6,930	151.3
	Mar	4.7	41.4	47,312	8,331	157.6
	Apr	5.2	41.9	45,719	7,557	125.2
	May	5.0	41.6	47,828	6,585	137.7
	Jun	5.0	41.7	49,339	7,330	180.7
	Jul	5.1	41.7	48,033	7,325	132.5
	Aug	5.0	41.7	47,831	7,015	150.9
	Sep	5.0	41.9	47,537	7,268	143.4
	Oct	5.1	41.8	49,454	7,236	136.1
	Nov	4.9	41.6	48,436	7,345	160.3
	Dec	4.8	41.5	52,027	6,494	157.0
2001	Jan	4.1	39.7	48,238	7,344	194.6
	Feb	4.1	40.2	49,840	6,441	138.4
	Mar	4.0	39.9	53,235	6,469	146.5
	Apr	3.5	39.5	55,088	6,227	152.7
	May	3.7	39.7	55,953	6,785	152.8
	Jun	3.8	39.4	54,962	6,413	149.0
	Jul	3.7	39.4	55,836	6,495	129.5
	Aug	4.0	39.6	57,578	7,267	158.4
	Sep	4.0	39.8	60,049	6,213	114.3
	Oct	3.8	39.4	65,425	7,171	145.1
	Nov	3.6	39.1	56,454	7,276	141.3
	Dec	3.7	39.3	46,950	6,957	162.8
2002	Jan	3.8	38.8	69,037	7,019	150.8
	Feb	3.9	39.5	53,411	6,871	166.2
	Mar	4.1	39.9	59,870	7,199	147.1
	Apr	4.1	39.9	67,385	7,324	162.4
	May	4.0	39.7	60,268	8,671	156.2
	Jun	4.1	40.0	59,416	6,985	150.1
	Jul	3.9	39.2	63,359	7,188	179.7
	Aug	4.1	39.8	61,672	7,574	164.0
	Sep	4.0	40.1	61,781	7,814	182.8
	Oct	3.7	39.6	64,707	8,270	214.3
	Nov	3.9	39.7	56,294	7,465	188.6
	Dec	3.9	39.7	57,268	7,818	152.3
2003	Jan	3.9	39.5	63,107	7,111	192.4
	Feb	4.0	39.9	55,617	8,683	261.1
	Mar	3.7	39.7	58,143	7,031	189.0
	Apr	3.7	39.7	69,641	7,847	188.0
	May	3.7	39.9	60,028	7,939	204.5
	Jun	3.7	40.0	61,444	7,892	176.7
	Jul	3.7	39.1	62,124	7,944	193.2

a/ Seasonally adjusted by the California Department of Finance.

Coincident Indicators/[A]

Employment, Unemployment

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1999	Jan	13,749	1,831	5.6	355
	Feb	13,782	1,829	5.6	368
	Mar	13,811	1,826	5.5	375
	Apr	13,861	1,828	5.4	364
	May	13,893	1,824	5.3	373
	Jun	13,910	1,823	5.2	376
	Jul	14,009	1,827	5.1	349
	Aug	14,014	1,825	5.0	352
	Sep	14,054	1,834	5.0	367
	Oct	14,115	1,839	4.9	345
	Nov	14,148	1,837	4.9	344
	Dec	14,201	1,837	5.0	342
2000	Jan	14,201	1,842	5.0	357
	Feb	14,258	1,842	5.0	346
	Mar	14,308	1,843	5.0	353
	Apr	14,338	1,846	5.0	338
	May	14,416	1,846	5.1	326
	Jun	14,458	1,856	5.1	333
	Jul	14,484	1,865	5.0	334
	Aug	14,529	1,865	5.0	335
	Sep	14,578	1,865	4.9	316
	Oct	14,580	1,868	4.8	333
	Nov	14,635	1,874	4.8	343
	Dec	14,678	1,879	4.7	319
2001	Jan	14,717	1,874	4.7	351
	Feb	14,719	1,865	4.7	354
	Mar	14,725	1,855	4.8	360
	Apr	14,662	1,831	4.9	387
	May	14,647	1,814	5.1	414
	Jun	14,635	1,798	5.2	424
	Jul	14,569	1,776	5.3	450
	Aug	14,582	1,762	5.6	472
	Sep	14,525	1,741	5.7	483
	Oct	14,518	1,725	6.0	541
	Nov	14,485	1,704	6.2	510
	Dec	14,458	1,688	6.2	510
2002	Jan	14,435	1,674	6.4	505
	Feb	14,444	1,665	6.5	533
	Mar	14,465	1,661	6.6	516
	Apr	14,486	1,661	6.6	542
	May	14,514	1,658	6.6	557
	Jun	14,504	1,651	6.7	546
	Jul	14,455	1,639	6.7	558
	Aug	14,479	1,630	6.7	531
	Sep	14,470	1,623	6.7	546
	Oct	14,493	1,619	6.8	563
	Nov	14,502	1,611	6.8	507
	Dec	14,465	1,607	6.9	506
2003	Jan	14,493	1,600	6.6	502
	Feb	14,478	1,598	6.7	509
	Mar	14,475	1,597	6.7	497
	Apr	14,461	1,592	6.8	574
	May	14,447	1,590	6.7	545
	Jun	14,454	1,585	6.8	556
	Jul	14,432	1,578	6.6	566

Income, Wages, Taxable Sales

		Personal Income ($ millions)	Total Wages & Salaries ($ millions)	Taxable Sales ($ millions)
1999	Qtr I	953,099	533,043	93,739
	Qtr II	979,836	554,998	97,146
	Qtr III	1,005,342	574,812	99,747
	Qtr IV	1,043,025	600,883	103,096
2000	Qtr I	1,073,810	625,352	107,393
	Qtr II	1,088,418	629,086	109,940
	Qtr III	1,121,937	653,939	111,702
	Qtr IV	1,118,553	645,688	112,045
2001	Qtr I	1,147,945	663,059	111,989
	Qtr II	1,134,569	651,966	111,275
	Qtr III	1,121,148	638,918	108,517
	Qtr IV	1,115,811	634,199	109,442
2002	Qtr I	1,138,871	638,577	108,528
	Qtr II	1,153,961	642,158	109,986
	Qtr III	1,160,405	643,080	111,384
	Qtr IV	1,167,754	648,558	107,572
2003	Qtr I	1,178,509	655,276	109,378

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

Other Indicators

DOD Prime Contracts a/

	$ millions	% of U.S.		$ millions	% of U.S.
1981-82	22,685	21.8	1992-93	22,952	20.1
1982-83	26,387	22.2	1993-94	22,573	20.5
1983-84	28,520	23.0	1994-95	18,277	16.8
1984-85	29,115	20.8	1995-96	18,230	16.7
1985-86	27,738	20.4	1996-97	18,477	17.3
1986-87	24,515	18.4	1997-98	17,401	15.9
1987-88	23,458	18.7	1998-99	17,372	15.1
1988-89	23,125	19.3	1999-00	18,100	14.7
1989-90	22,312	18.4	2000-01	19,939	14.7
1990-91	24,265	19.5	2001-02	23,816	15.0
1991-92	23,843	21.2			

a/ U.S. fiscal year: October through September

Foreign Trade through California Ports

2002	$ millions	2003	$ millions
Jan	24,205	Jan	25,997
Feb	24,197	Feb	24,781
Mar	26,263	Mar	28,573
Apr	27,081	Apr	28,309
May	27,382	May	27,627
Jun	28,972	Jun	29,517
Jul	28,333		
Aug	29,634		
Sep	28,764		
Oct	27,547		
Nov	29,567		
Dec	27,857		

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

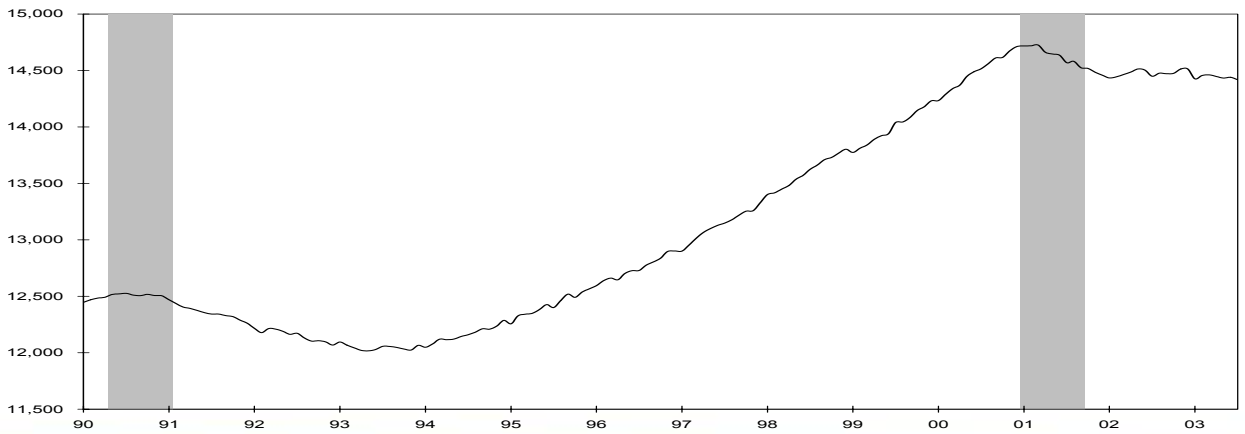
Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

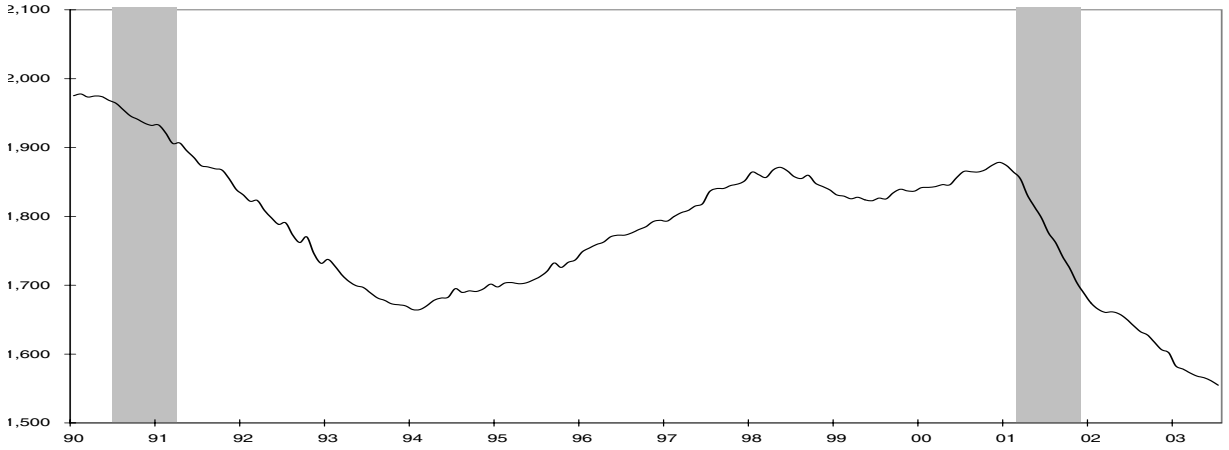
Nonagricultural Employment

(thousands, Seasonally Adjusted)



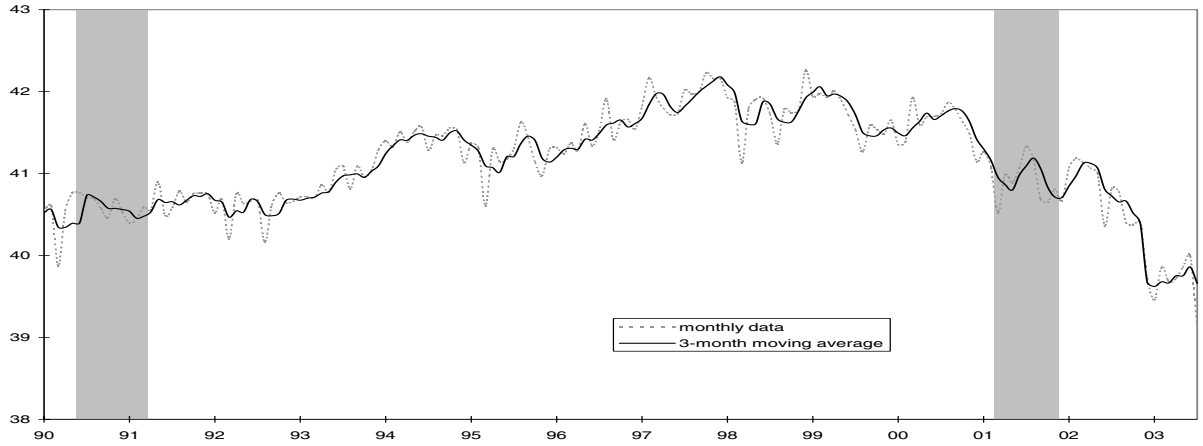
Manufacturing Employment

(thousands, Seasonally Adjusted)



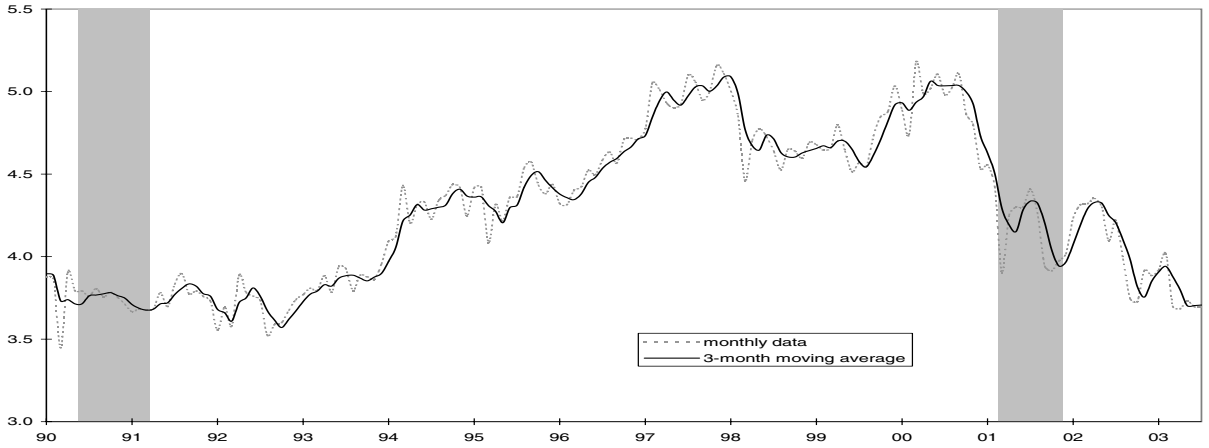
Average Weekly Hours, Manufacturing

(Seasonally Adjusted)



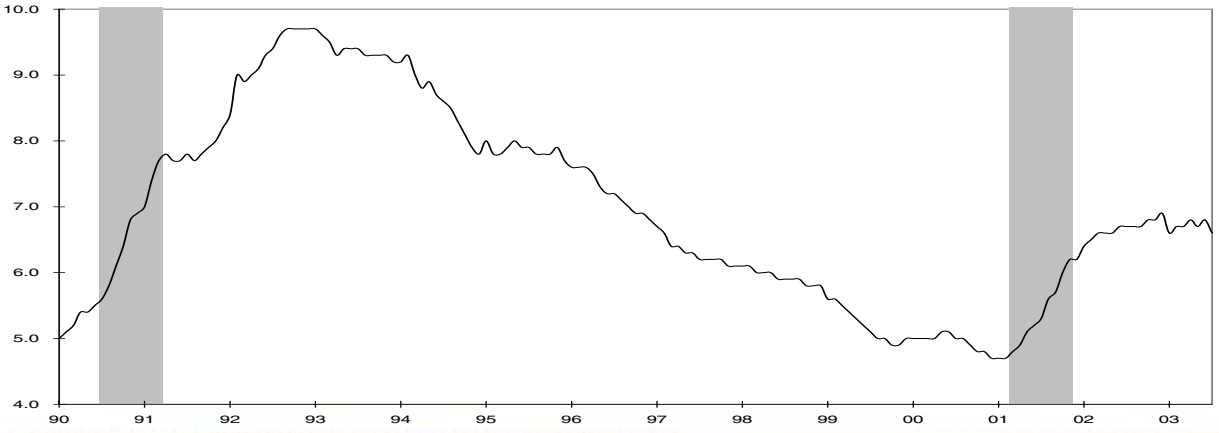
Average Overtime Hours, Manufacturing

(Seasonally Adjusted)



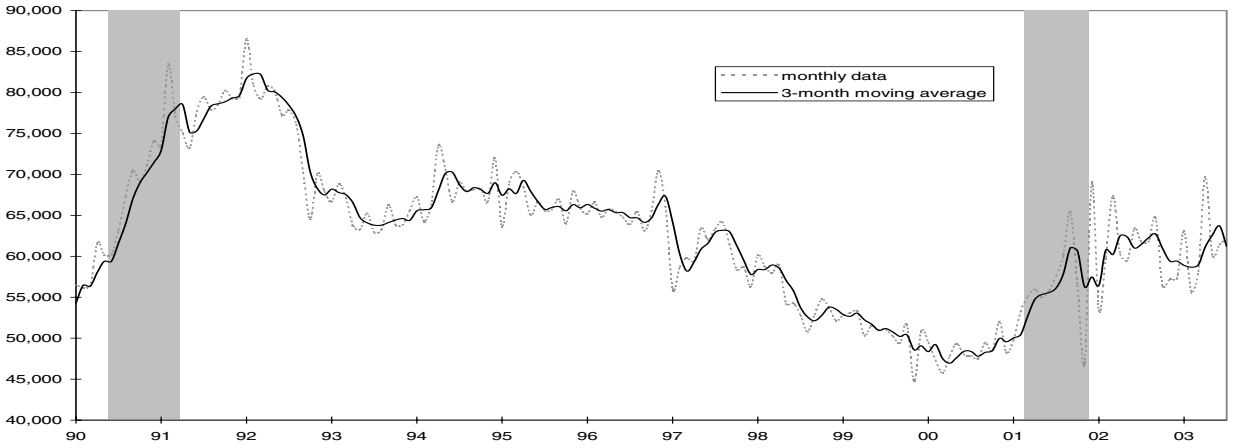
Unemployment Rate

(Percent)



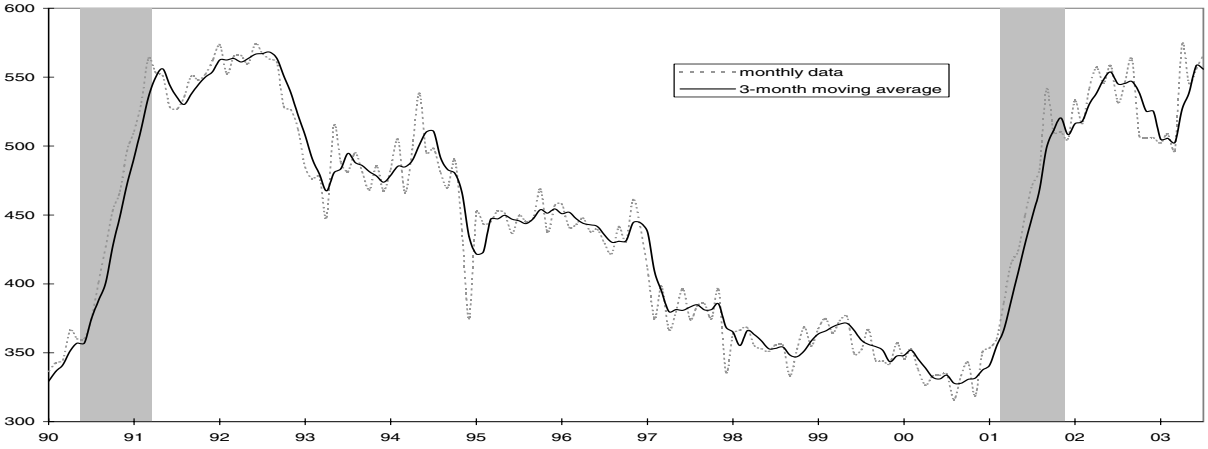
Initial & Transitional Claims for Unemployment Insurance

(Weekly Average, Seasonally Adjusted)



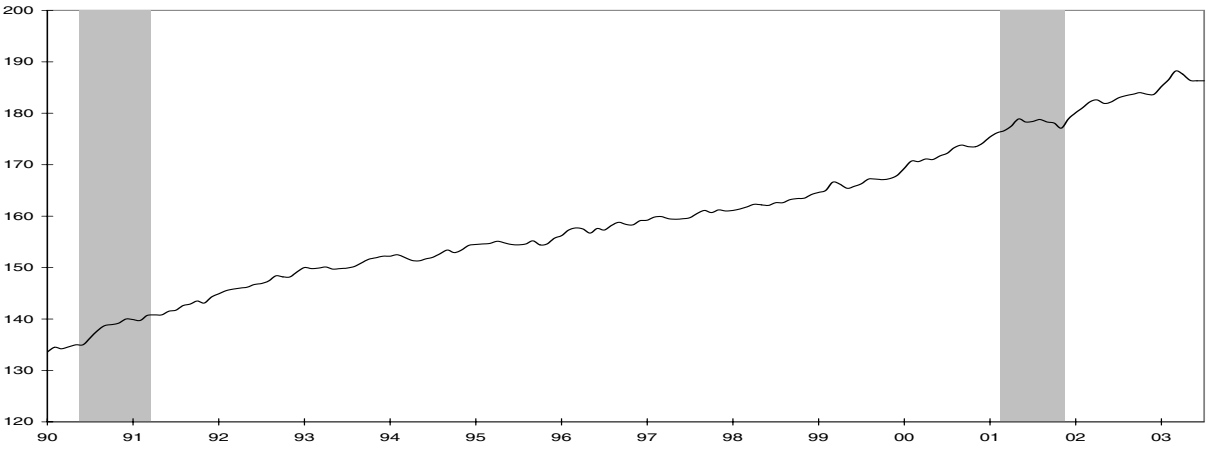
Unemployment, Average Weeks Claimed

(thousands, Seasonally Adjusted)



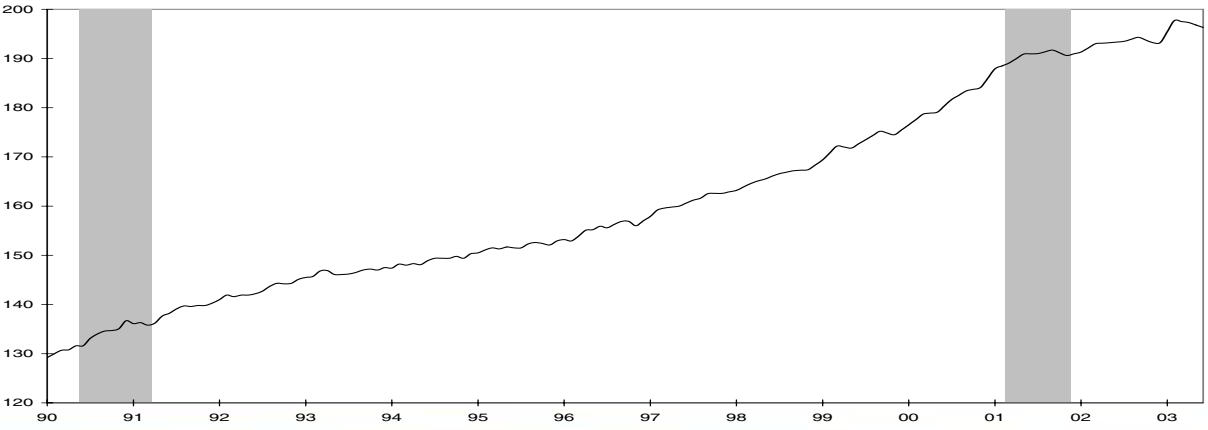
Consumer Price Index, Los Angeles

(1982–84 =100)



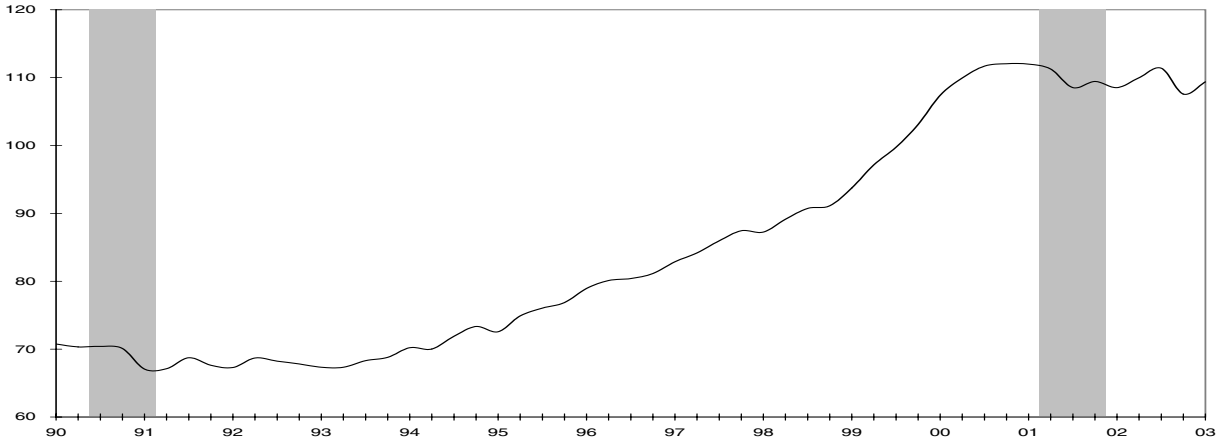
Consumer Price Index, San Francisco

(1982–84 =100)



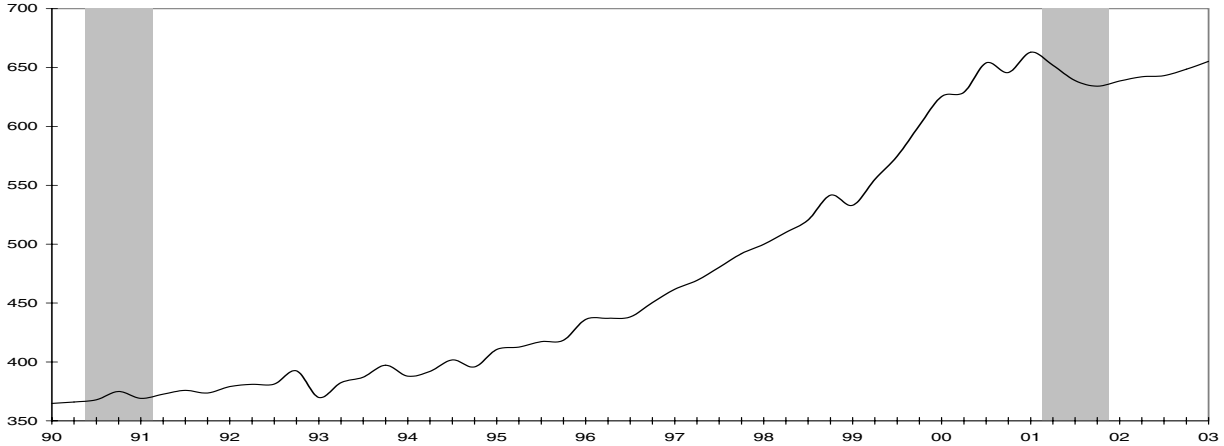
Taxable Sales

(Dollars in billions, Seasonally Adjusted)



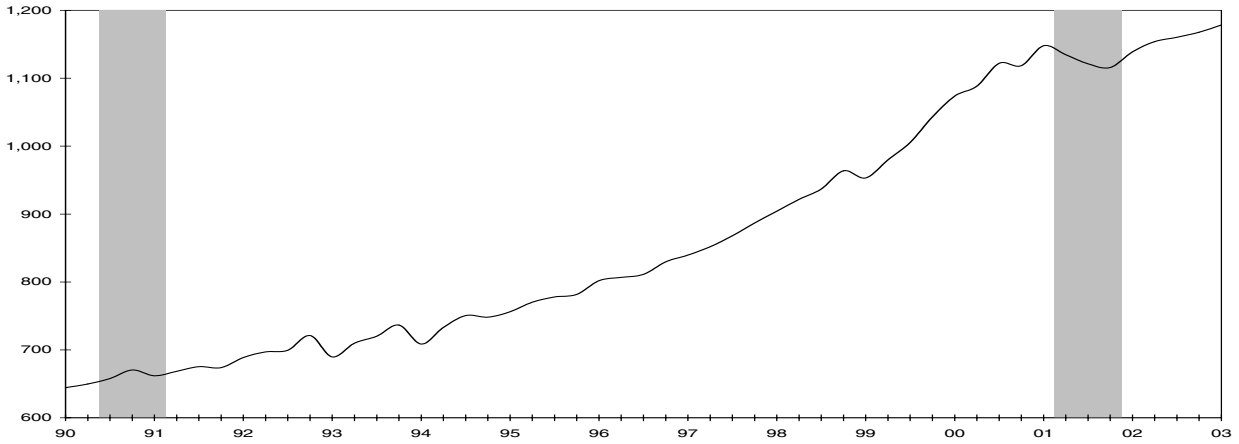
Wages and Salaries in Mining, Construction and Manufacturing

(Dollars in billions, Seasonally Adjusted)



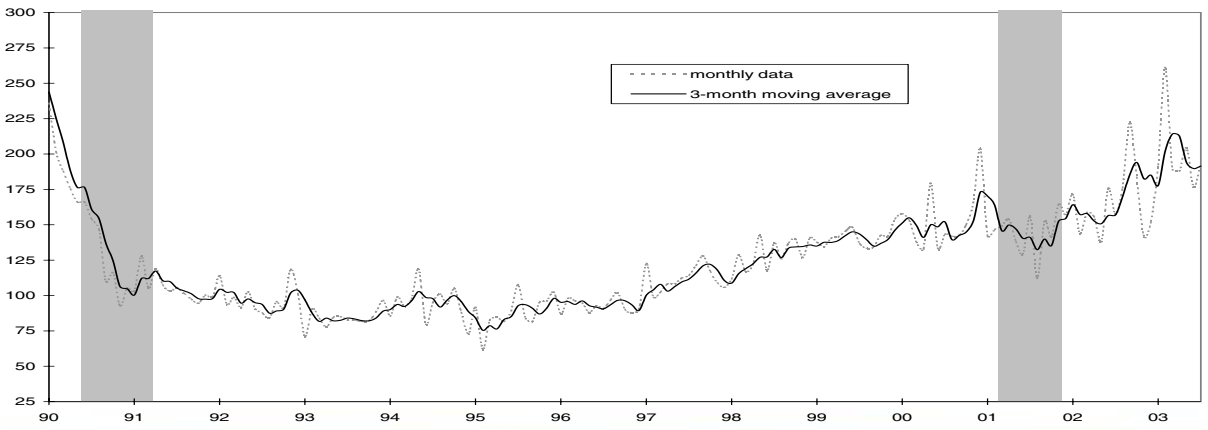
Personal Income

(Dollars in billions, Seasonally Adjusted)



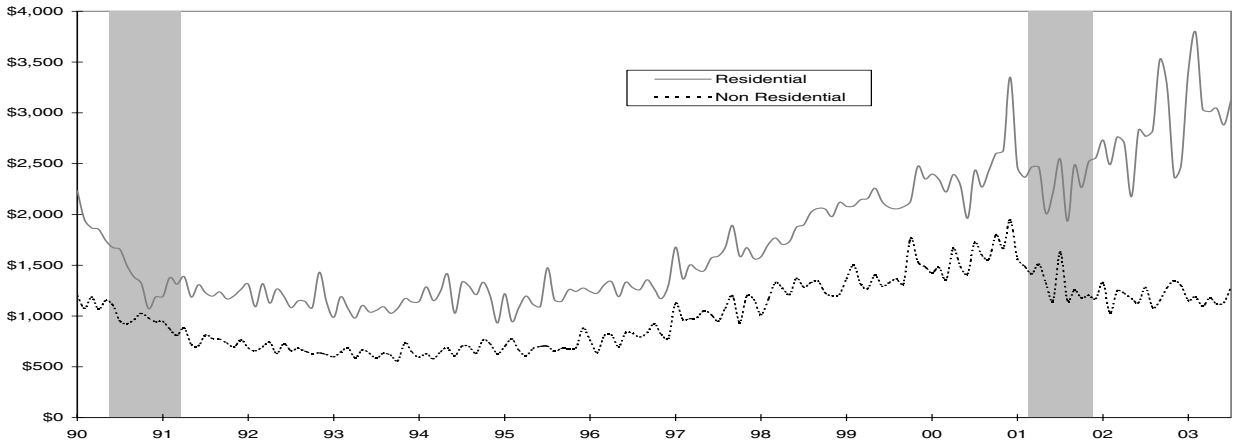
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)



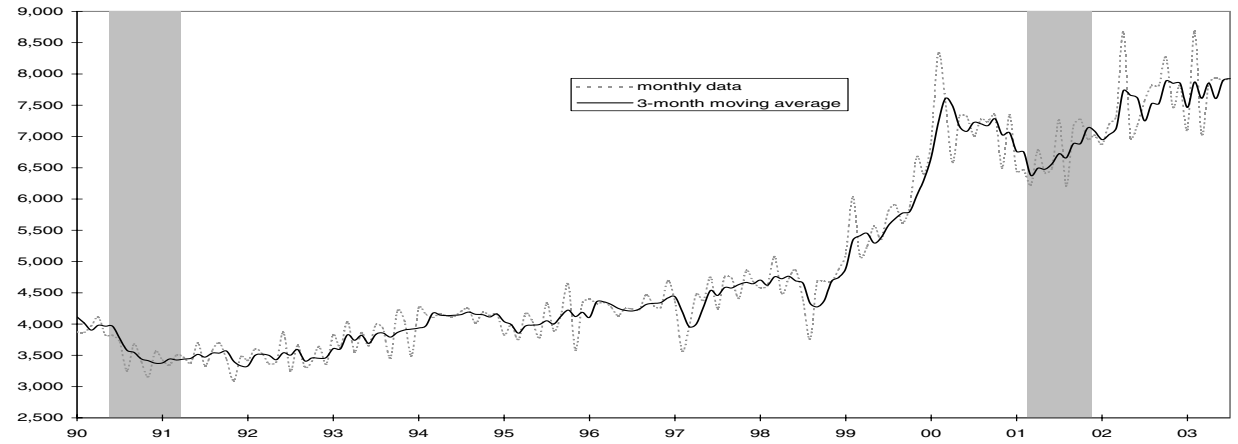
Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



BUSINESS CYCLES

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-2001

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2001

January 1	California's minimum wage raised from $5.75 to $6.25. The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%.
January 3	Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.5 percent from 6.0 percent.
January 17	OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output.
January 31	Federal funds rate reduced from 6.0 percent to 5.5 percent. Discount rate reduced from 5.5 percent to 5.0 percent.
March 19	OPEC to cut oil production by 1 million barrels a day.
March 19-20	California suffered rolling blackouts.
March 20	Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent.
March 27	California regulators approved retail electric rate increase.
March 29	GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.
April 6	PG&E utility unit files for bankruptcy.
April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7-8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.
August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.

August 29	Second quarter GDP grew at a 0.2 percent annual rate. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.
September 11	Terrorists attack World Trade Center and the Pentagon.
September 11–14	U.S. stock trading halts.
September 17	Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent. Dow Jones Industrials record biggest point drop in history, falling 684.41.
October 2	Federal funds rate reduced from 3.00 percent to 2.50 percent. Discount rate reduced from 2.50 percent to 2.00 percent.
October 26	Lockheed Martin Corporation awarded defense contract.
November 6	Federal funds rate reduced from 2.50 percent to 2.00 percent. Discount rate reduced from 2.00 percent to 1.50 percent.
November 26	Recession in the US began in March 2001, according to NBER.
December 2	Enron filed for bankruptcy protection.
December 11	Federal funds rate reduced from 2.00 percent to 1.75 percent. Discount rate reduced from 1.50 percent to 1.25 percent. China becomes WTO member.
December 21	GDP down 1.3 percent in Q3.
December 31	Markets fall for a second straight year for the first time since 1974.

2002

January 1	Taiwan becomes WTO member.
	OPEC to cut oil production by 6.5 percent.
	Euro becomes legal tender in 12 European countries.
January 6	Unemployment insurance benefits increased in California.
February 28	GDP up 1.4 percent in Q4.
March 9	California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
March 28	GDP up 1.7 percent in Q4.
April 25	Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.
May 13	President Bush signed a 10-year, $190 billion farm bill that promises to expand subsidies to growers.
June 27	GDP up 6.1 percent in Q1.
July 5	Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.
July 8	Intel launches its Itanium 2 chip.
July 10	President Bush called for stiffer penalties to eradicate corporate fraud.
July 15	Pfizer to buy Pharmacia.
July 16	The dollar sank against the euro for the first time in more than two years. Intel to eliminate 4,000 jobs.

July 21	WorldCom filed for bankruptcy protection.
July 22	The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.
July 30	President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.
July 31	GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters.
	Venture capital investments hit four-year low.
August 8	IMF signed an emergency loan to Brazil.
August 11	U.S. Airways filed for bankruptcy.
August 20	The U.S. trade deficit narrowed in June, following two straight record monthly deficits.
September 27 –October 9	Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers.
November 6	Federal funds rate reduced from 1.75 percent to 1.25 percent.
	Discount rate reduced from 1.25 percent to 0.75 percent.
December 9	United Airlines filed for bankruptcy protection.
December 19	Standard & Poor's lowered California's bond rating to an A from an A+.

2003

February 10	Moody's lowered California's bond rating to A2 from A1.
February 14–17	A major snowstorm hit the Middle Atlantic and Eastern states.
February 26	Doctors in Hong Kong report the first case of a flu-type virus "Atypical Pneumonia" now more commonly known as Severe Acute Respiratory Syndrome (SARS).
March 20	Operation Iraqi Freedom begins.
April 9	Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein.
April 14	President Bush declares conclusion of major combat operations in Iraq.
June 25	Federal funds rate reduced from 1.25 percent to 1 percent, the lowest rate in 45 years.
June 26	GDP up 1.4 percent in Q1.
July 17	The US recession ended in November 2001, according to NBER.
July 24	S&P lowered California's bond rating from "A" to "BBB".
July 25	United States Treasury begins mailing $400 per child tax rebate checks.
August 2	Governor Gray Davis signs the 2003-04 state budget bill.
August 4	Moody's lowered California's bond rating from A2 to A3.
August 28	GDP grew at a revised 3.1 percent annual rate in the 2nd quarter.

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